

Department of the Treasury
Washington, D.C.
Federal Reserve Bank of San Francisco, Los Angeles Branch
EFT 99 Community Outreach Initiative Meetings
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submitted by
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Branch closures are common place, particularly in low income communities. Access to affordable, banking has been an issue for consumer advocate for more than a decade.

Residents in economically depressed areas most often rely on fringe banking (high costs check cashing store front, neighborhood stores that offer credit and check cashing for unreasonable fees). Bank charges/fees and practices may discourage the use of banks by some low/moderate income consumers even when banks remain in the low income areas.

The Electronic Funds Transfer (EFT) 99 rule will eventually lead to direct deposit of the larger percent of consumers' federal checks. Although EFT 99 was not designed to solve the low-income consumer banking problems stated earlier, EFT 99 could be used as an opportunity to assist consumers in managing funds while improving Department of the Treasury's services to recipients.

The question is: How might EFT 99 be implemented with measurable, observable benefits to consumers? We know that banks and other financial institutions will earn more money (fees, penalties, new clients, etc) and that the Department of the Treasury will save money (no paper checks, postage, etc.) but what is the true benefit to consumer/recipients of funds that will be deposited directly rather than sent through the mail?

What are the benefits to consumers who :

- cannot afford banking charges or ATM fees due to a lack of discretionary income;
- will have to travel from their communities to acquire banking services;
- have limited mobility and limited physical abilities;
- have limited education on banking skills;
- are accustomed to juggling bills and may have a tendency to "bounce checks" which would result in exorbitant charges;
- may not be able to make the distinction between banking services and financial services offered at the same location;

Suggestions:

- waive ATM charges if there is not a branch within a reasonable distance of clients home;
- provide more banking services (easy access to credit unions, banks, savings and loans) at reasonable rates; and
- provide ongoing education regarding use of banking services that prevent costly charges, i.e. returned checking, excessive use of ATM's for fees, protection of privacy (pin numbers) and record keeping

Other Considerations:

Consumers may be currently experiences cognitive overload trying to cope with changes in the telecommunication industry, electric utility deregulation and fast-track job training associated with welfare reform and therefore the education program for the EFT 99 should be informative but uncomplicated with all -optiond INCLUDING WAIVERS--- clear enough to assist consumers in the decision- making process.

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